

	<p><i>AUDIT RISK</i></p>
	<p><i>AND</i></p> <p><i>LESSONS LEARNED</i></p> <p>Lisa Tucker Senior Compliance Auditor Office of the Legislative Auditor</p>

	<p><i>Where To Get Information or Send a Cry for Help</i></p>
	<p>Legislative Auditor's Website located at <u>www.la.state.la.us</u></p> <ul style="list-style-type: none"> – Public Assistance Guide – Link to FEMA's website (44 CFR) – Link to LOHSEP (Red Book) – Link to Louisiana Public Assistance website (State Reimbursement Forms) – Request Information (Specific Question)

General Information

- FEMA is a reimbursement program
 - Expenses must be incurred
- Large Projects
 - Reviews to determine eligible costs in compliance with State and Federal Regulations were conducted with exception to the following:
 - Expedited PW's
 - Amounts received in excess of expenses must be returned with interest
 - There are 50 plus Applicants who have not substantiated their expedited funds

Small Projects

- Small projects are not reviewed prior to payment; by law they are paid and compliance is determined at project close-out.
- Same types of audit risks (greater) as large projects
- Must determine that the work was completed in accordance with the scope of work
- Amounts paid to the Applicant in excess of actual expenditures are not required to be returned.

	<i>Debris Removal</i>
	<p>Removal of debris on public and in very limited cases private property</p> <ul style="list-style-type: none"> – Includes: trees, building wreckage, vehicles, personal property, sand, mud, silt, and gravel ■ Emergency period – <u>Cut and Push</u> <ul style="list-style-type: none"> – Moving debris to the sides of the road – Normally this period lasts for 72 hours – Lasted approximately 2 weeks for this disaster (depending on area) – The Applicant was able to use any available resources without proper procurement

	<i>Debris Removal</i>
	<p>After Cut and Push – Removal of debris from the sides of the road to the temporary and permanent reduction sites</p> <ul style="list-style-type: none"> – Applicant responsible for following procurement procedures (Federal and State); provide bid tab and executed contract if in excess of \$20,000.00

	<i>Debris Monitoring</i>
	<ul style="list-style-type: none"> ■ Service ■ Required by FEMA ■ Can use Force Account Labor or Contract Labor ■ Contract must be put out on RFP if over \$100,000.00

	<i>Debris Removal and Other Contracts</i>
	<p>Audit Risks</p> <p>Procurement Procedures were not followed</p> <ul style="list-style-type: none"> – Debris Removal (other) Contracts – Not bid (S) – Debris Monitoring Contracts – RFP (F) – Debris Contracts (other) in direct violation of 44 CFR 13.36 were executed with vendors <ul style="list-style-type: none"> ■ Time and Materials Contracts (if no other option) must contain a not-to-exceed clause. ■ Cost/Plus Contracts

Debris Removal and Other Contracts

Lessons Learned

The Work is done – What happens now?

- The Applicant's are getting an education
- Reimbursement process is extended (additional reviews and info are required)
 - Review conducted by the State Coordinating Officer to determine the amount to be paid
- Amount of reimbursement may be reduced to reasonable rates as determined by the State
- Contracts in violation of State and Federal laws
- Results: Findings, additional reporting requirements, and the Applicant may incur a loss

Force Account Labor

Audit Risks

- Applicants FAL Summaries are not a reflection of their payroll (have not been reviewed).
 - In some cases the FAL Summary is going to reflect hours worked that are less than the hours claimed on payroll records (compliance with FEMA information sheet 3 version 4).
 - Watch for FAL Summaries which are greater than the payroll records.
 - Result: Findings, additional reporting requirements, and the Applicant may incur a loss

	<h2><i>Force Account Labor</i></h2>
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	<h3>Lessons Learned</h3>
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| | <ul style="list-style-type: none">– The Applicants are learning that FEMA will only reimburse them for hours worked.– If the Applicant normally pays employees to be on call (eat, sleep, or take breaks), they can pay them but these hours will not be reimbursed by FEMA.<ul style="list-style-type: none">■ This may be appealed as a violation of the Fair Labor Standards Act. |
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	<h2><i>Force Account Equipment</i></h2>
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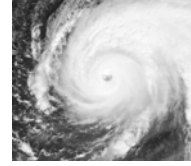
	<h3>Audit Risks</h3>
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| | <ul style="list-style-type: none">■ Equipment claimed in operation when there was no operator at work (sampling was done)■ Equipment was not used but claimed■ Equipment claimed which does not exist in the Applicant inventory■ Altering the specifications of the equipment to increase reimbursement■ Equipment purchased and then claimed on the FAE Summary■ Fuel/Maintenance expenses for the equipment claimed (included in the equipment rate)■ Result: findings and additional reporting requirements |
|--|---|

	<h2 style="text-align: center;"><i>Materials and Rented Equipment</i></h2>
	<p>Audit Risks - Materials</p> <ul style="list-style-type: none"> ■ Items purchased that were not used for the disaster ■ Items purchased in excess of amounts needed for the disaster ■ Items purchased to repair or replace property which was not damaged by the disaster ■ Items used from inventory that were not used for the disaster ■ Overstating inventory quantities to increase reimbursement ■ Equipment purchased and then claimed on the FAE Summary <p>Audit Risks – Rented Equipment</p> <ul style="list-style-type: none"> ■ Equipment Rented which was not used for the disaster ■ Equipment Rented which was not used for a public purpose ■ Results: findings, additional reporting requirements.

	<h2 style="text-align: center;"><i>Local Government Budget Act</i></h2>
	<ul style="list-style-type: none"> ■ Applicants must comply ■ If funds received or expenses incurred are greater than 5% of revenues or expenditures, budget must be amended. <ul style="list-style-type: none"> – Note: some home rule charters have the percentage lowered to 3% – Meeting to adopt requires 24 hour notice ■ Applicant did not comply: <ul style="list-style-type: none"> – Result: findings, additional reporting requirements, and the Applicant may have expenses in excess of revenues for year end

Preparation for Hurricane Season 2006



- Lets educate the Applicants to make it easier on all of us next time.
 - Written overtime policy
 - Written disaster policy
 - This will be a regular audit finding for these disasters.
 - The policy should identify critical employees who may be called back or asked to stay in the event of a disaster.
 - If and how the declaration of a disaster affects pay policy.
 - Current inventory of materials and supplies
 - This should include a list of current vendors which can be used to order from during the emergency period.
 - Critical data is properly identified, backed up, and stored to ensure safety
 - Memo of extenuating circumstances does not suffice for permanent work
 - Make sure they understand State and Federal procurement procedures and State Bid Law and that these procedures are required to be followed.
 - Consider entering into pre-disaster properly procured contracts which are in compliance with State and Federal Regulation for debris removal, monitoring, and engineering services.

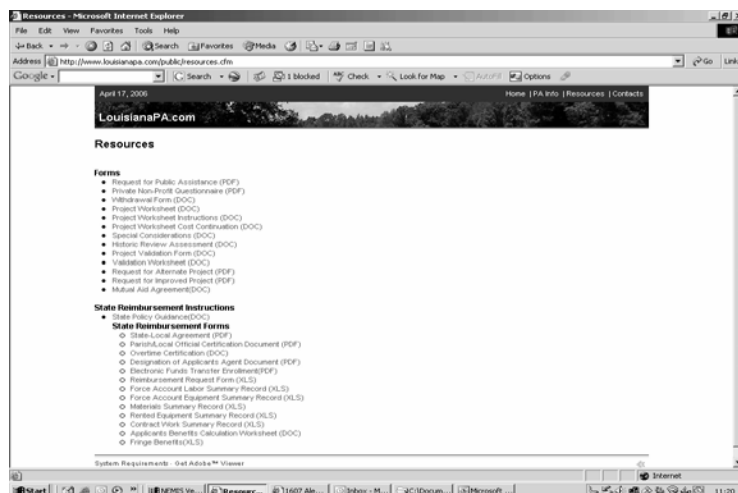
LouisianaPA.Com

- Request in your engagement letter that the Auditee has their log-in and password for PA.com established prior to beginning your audit.
- If the Applicant provided an e-mail address when they submitted their RPA, they were emailed their log-in and password.
 - If they do not have the information they should call the help desk number on the homepage of the website.
- PA.com will provide you with:
 - Obligated PW for the Auditee;
 - Expenses entered;
 - Payments made; and
 - Issues

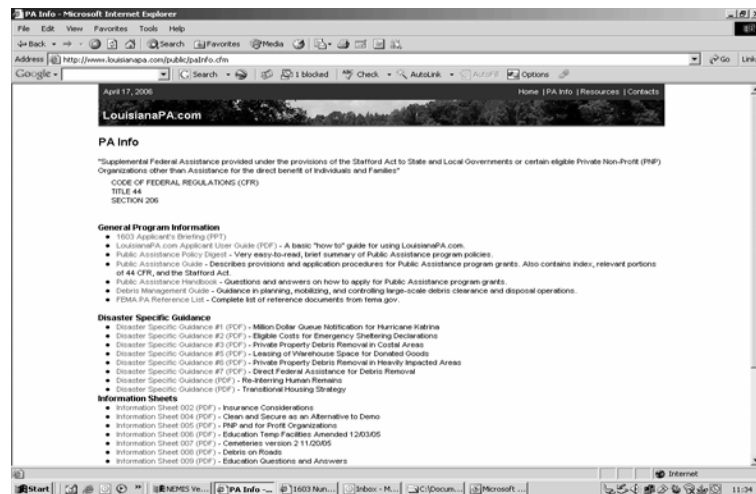
Log-in Page



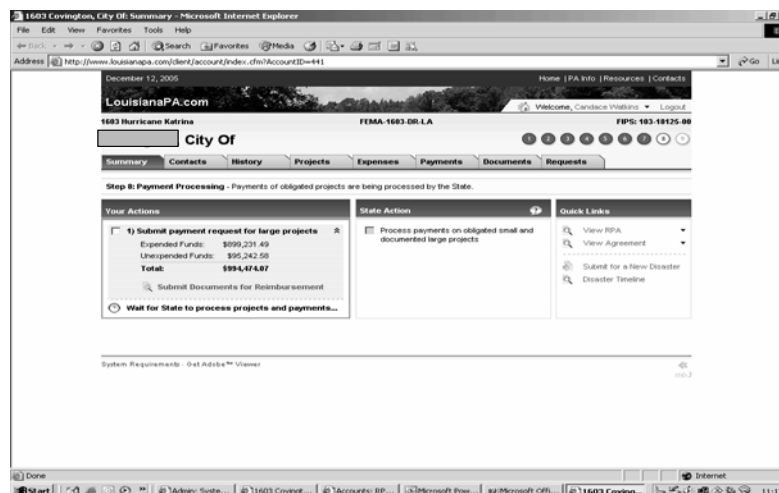
Resources, Forms, and Requirements



Disaster Specific Guidance and Information



Summary Page Shows overall payment status



Projects Page Shows all PW's and Status

February 17, 2006

LouisianaPA.com

1603 Hurricane Katrina

FEMA-1603-DR-LA

City Of

Summary Contacts History Projects Expenses Payments Documents Requests

All Projects

Listing 1 to 5 of 5 items.

PW	Cat	Size	Funding Status	Eligible	Federal Balance
167	B	L	8) Processed	\$658,630.42	\$1,027.45
257	A	L	8) Processed	\$205,289.00	\$0.00
348	B	S	8) Processed	\$36,320.65	\$0.00
638	B	S	Obligated - Expenses in Review	\$0.00	\$1,852.16
639	F	L	Obligated - Needs Expenditures	\$94,234.00	\$96,695.28
				\$994,474.07	\$98,574.89

System Requirements - Get Adobe™ Viewer

Expense Page Shows expenses that have been documented

December 12, 2005

LouisianaPA.com

1603 Hurricane Katrina

FEMA-1603-DR-LA

City Of

Summary Contacts History Projects Expenses Payments Documents Requests

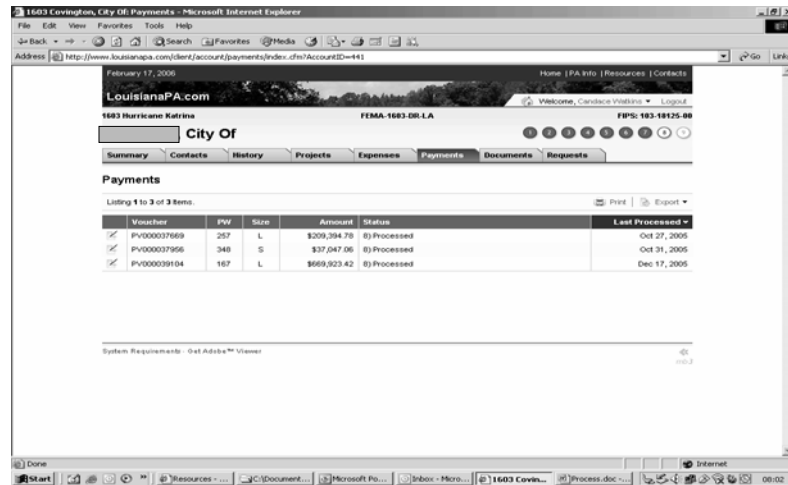
Project Expenses

Listing 1 to 11 of 11 items.

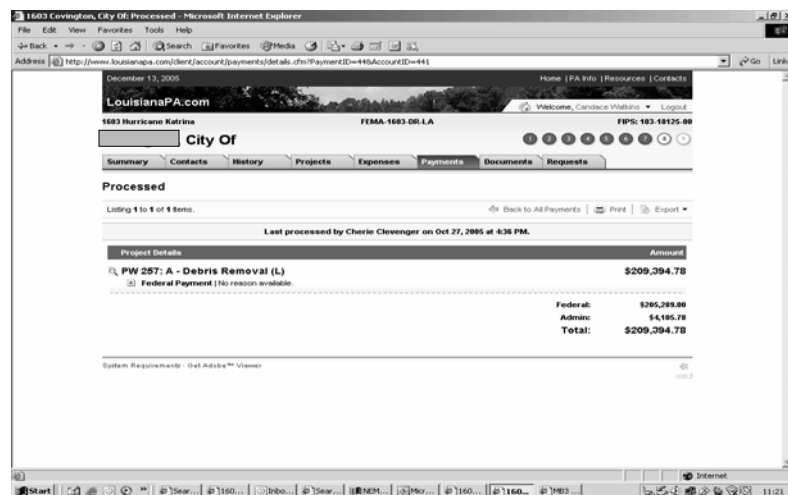
PW	Cat	Size	Eligible	Amount	Type	Approval Status	Submitted On
167	B	L	\$658,630.42	\$187,555.55	Force Account Equipment	3) Approved	Dec 12, 2005
167	B	L	\$658,630.42	\$77,985.60	Force Account Payroll	3) Approved	Dec 12, 2005
167	B	L	\$658,630.42	\$169,760.20	Force Account Equipment	3) Approved	Dec 12, 2005
167	B	L	\$658,630.42	\$45,905.47	Invoice	3) Approved	Dec 12, 2005
167	B	L	\$658,630.42	\$18,211.44	Force Account Payroll	3) Approved	Dec 12, 2005
167	B	L	\$658,630.42	\$51,407.35	Material Summary	3) Approved	Dec 12, 2005
167	B	L	\$658,630.42	\$42,717.43	Force Account Payroll	3) Approved	Dec 12, 2005
167	B	L	\$658,630.42	\$63,813.20	Force Account Equipment	3) Approved	Dec 12, 2005
167	B	L	\$658,630.42	\$255.60	Force Account Payroll	3) Approved	Dec 12, 2005
257	A	L	\$205,289.00	\$205,289.00	Unknown Expenditures	3) Approved	Nov 15, 2005
639	F	L	\$94,234.00	\$0.00	Invoice	3) Approved	Dec 6, 2005

System Requirements - Get Adobe™ Viewer

Payments page
Click on pen and paper icon to view details



*Click on and below the PW number to see
 cost breakdown*



Breakdown of payment

1603 Covington, City Of Processed - Microsoft Internet Explorer

December 13, 2005

LouisianaPA.com

1603 Hurricane Katrina

FEMA-1603 DR- LA

FIP: 163-18125-00

City Of

Summary Contacts History Projects Expenses Payments Documents Requests

Processed

Listing 1 to 1 of 1 items.

Back to All Payments Print Export

Last processed by Cherie Clevenger on Oct 27, 2005 at 4:36 PM.

Project Details					Amount
PW 257: A - Debris Removal (L)					\$209,394.78
Federal Payment (No reason available)					
	Obligated	Approved	Previous	Current	Balance
Eligible Amt	\$205,289.00	\$205,289.00	\$0.00	\$205,289.00	\$0.00
Federal	\$205,289.00	\$205,289.00	\$0.00	\$205,289.00	\$0.00
Admin	\$4,105.78	\$4,105.78	\$0.00	\$4,105.78	\$0.00
Payment Amt				\$209,394.78	
Federal:					\$205,289.00
Admin:					\$4,105.78
Total:					\$209,394.78

System Requirements: Get Adobe® Reader